

Auditor's Summary

Financial and Compliance Audit of the Department of Transportation, Airports Division

Financial Statements, Fiscal Year Ended June 30, 2017



PHOTO: HAWAII DOT AIRPORTS DIVISION

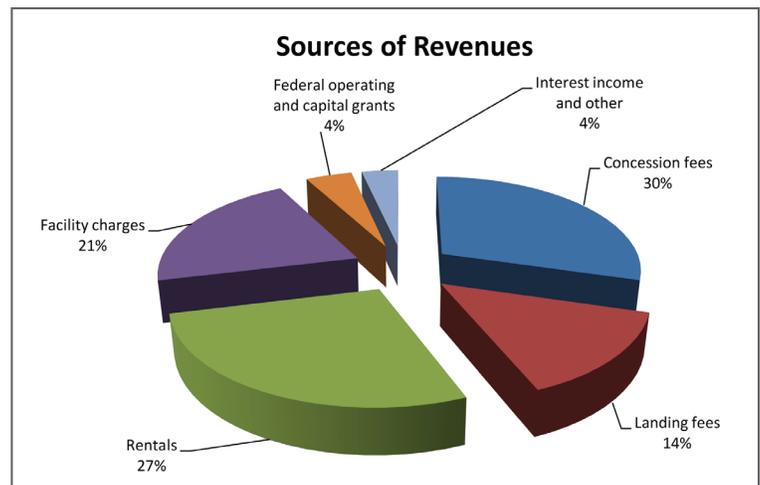
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Airports Division (DOT-Airports), as of and for the fiscal year ended June 30, 2017, and to comply with the requirements of Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2, Part 200 (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by BKD, LLP.

About the Division

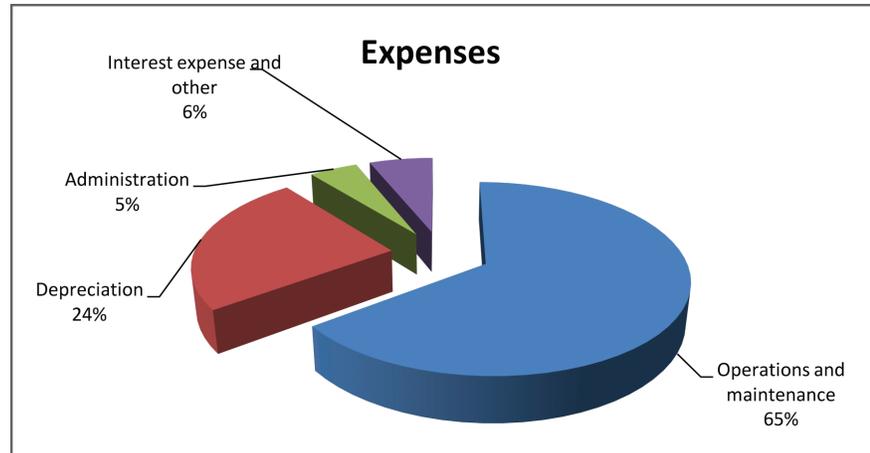
DOT—AIRPORTS operates and maintains 15 airports at various locations within the State of Hawai'i as a single integrated system for management and financial purposes. Daniel K. Inouye International Airport is the principal airport in the airports system providing facilities for interisland flights, domestic overseas flights, and international flights to destinations in the Pacific Rim. DOT-Airports is authorized to impose and collect rates and charges for the airports system services and properties to generate revenues to fund operating expenses. The Capital Improvements Program is funded primarily by airports system revenue bonds and lease revenue certificates of participation issued by DOT-Airports, federal grants, passenger facility charges, customer facility charges, and the DOT-Airports revenues.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2017, DOT-Airports reported total revenues of \$545 million and total expenses of \$409 million, resulting in an increase in net position of \$136 million. Revenues consisted of \$161 million in concession fees, \$78 million in landing fees, \$149 million in rentals, \$114 million in facility charges, \$24 million in federal operating and capital grants, and \$19 million in interest and other income.



Total expenses of \$409 million, consisted of \$265 million for operations and maintenance, \$100 million in depreciation, \$19 million for administration, and \$25 million in interest and other expenses.



As of June 30, 2017, total assets and deferred outflows of resources of DOT-Airports exceeded total liabilities and deferred inflows of resources by approximately \$2.29 billion. Of this amount, \$346 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets and deferred outflows of resources of \$4.13 billion were comprised of cash of \$1.19 billion, investments of \$182 million, net capital assets of \$2.63 billion, and \$126 million in receivables, other assets, and deferred outflows of resources. Total liabilities and deferred inflows of resources totaled \$1.84 billion, including \$1.04 billion in airports system revenue bonds, \$771 million in other liabilities and deferred inflows of resources, and \$22 million in special facility revenue bonds. The airports system revenue bonds are rated as follows:

- Standard & Poor's Corporation: A+
- Moody's Investors Service: A1
- Fitch IBCA, Inc.: A

DOT-Airports has numerous capital projects ongoing state-wide; construction-in-progress totaled \$1.02 billion at the end of the fiscal year.

Auditors' Opinions

DOT – AIRPORTS RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT-Airports received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WAS ONE SIGNIFICANT DEFICIENCY in internal control over financial reporting that was considered a material weakness and required to be reported under *Government Auditing Standards*.

- A number of variances between account balances and supporting documentation provided were identified resulting in several audit adjustments.

There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2017_Audit/DOT_Airports_Financial_2017.pdf
http://files.hawaii.gov/auditor/Reports/2017_Audit/DOT_Airports_SA2017.pdf